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TR.A DOCKET ROOM

**PETITION OF TENNESSEE
AMERICAN WATER COMPANY TO
CHANGE AND INCREASE CERTAIN
RATES AND CHARGES SO AS TO
PERMIT IT TO EARN A FAIR AND
ADEQUATE RATE OF RETURN ON
ITS PROPERTY USED AND USEFUL IN
FURNISHING WATER SERVICE TO
ITS CUSTOMERS**

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DOCKET NO. 04-00288
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The Tennessee Office of the Attorney General, through the Consumer Advocate and Protection Division (“Attorney General”), propounds the following Interrogatories and Requests for Production of Documents and Things (“Requests for Production”) upon Tennessee American Water Company (“TAWC”), pursuant to Rules 26, 33, and 34 of the Tennessee Rules of Civil Procedure and Tenn. Comp R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided, under oath, pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate & Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Timothy C. Phillips

These Interrogatories and Requests for Production are to be considered continuing in nature,

and are to be supplemented from time to time as information is received by the TAWC which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that TAWC supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as a witness, including experts, at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

Each discovery request calls for all knowledge which TAWC has as a party, as distinguished from the solitary knowledge of TAWC as an entity or person. That is to say, the answers are to include all knowledge available to TAWC, whether it be TAWC's solitary knowledge, the knowledge of TAWC's parent company or the knowledge of TAWC's attorney or other representative.

For purposes of these Interrogatories and Requests for Production, the term "you" shall mean and include: TAWC and all employees, agents and representatives thereof.

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity, with respect to any document, those terms mean to provide the date of the document, the nature of the document, and the title (if any) of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation, the original and each

copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, memorandum (including memoranda, note or report of a meeting or conversation), photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Interrogatories and Requests for Production, please produce the original of each document or, in the alternative, identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any of the Interrogatories are not answered on the basis of privilege or immunity, include in your response to each such Interrogatory a written statement evidencing:

- a. the nature of the communication;
- b. the date of the communication;
- c. the identity of the persons present at such communication; and
- d. a brief description of the communication sufficient to allow the Court to rule on a motion to compel.

If any objections are raised on the basis of privilege or immunity, include in your response, a complete explanation concerning the privilege asserted.

DISCOVERY REQUESTS

Consistent with the preceding definitions and preliminary matters, answer the following discovery requests, providing the "Verification" for the Interrogatories contained within this set of discovery requests:

1 State each fact you rely on to support your contention(s), position(s) or belief(s) that the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 04-00288 should be approved by the Tennessee Regulatory Authority ("TRA").

RESPONSE:

2. Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Interrogatory number one (1) above

RESPONSE:

3. Identify each document, photograph, or any other article or thing whatsoever, which you rely on to corroborate any part of your contention(s), position(s) or belief(s) that the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 04-00288 should be approved, whether as to the issues of credibility or any other issue, or which is adverse to these same contention(s), position(s) or belief(s).

RESPONSE:

4. With respect to each person you expect to call as a witness, including any expert

witness, regarding this matter, state.

- a. their full name and work address;

RESPONSE:

- b. each subject matter about which such witness is expected to testify;

RESPONSE:

- c. the substance of the facts and opinions to which any expert is expected to testify;

RESPONSE:

- e. a summary of the grounds or basis of each opinion to which such witness is expected to testify; and

RESPONSE:

- f. whether or not the expert has prepared a report, letter of memorandum of his findings, conclusions or opinions.

RESPONSE:

5. Provide a definition of “replacement costs”; i.e., costs involved with “infrastructure replacement costs.” Describe the difference between “replacement” of current facilities vs cost necessary for “new business”. Describe the criteria used in the determination of “replacement “ vs. “new business” plant, including the basis for the determination.

RESPONSE:

6. Provide a summary of "TDOT Reimbursable Projects" detailing the total cost of the project, the cost reimbursable by the TDOT, and the balance to be paid by ratepayers.

RESPONSE:

7. Detail the calculations for revenue loss established in Proposed 6th Revision of Sheet No. 5 (Schedule of Rates For Qualifying Low-Income Customers) reflecting a 25% discount for service charge. Please detail the adjustment through the Revenue Requirement calculation.

RESPONSE:

8. Provide supporting workpapers detailing the employees per customer and O&M costs per customer per month for the past three years as referenced on page 4 of Mr. Watson's testimony as a management benchmark metric. Provide the detail (by department) of the number of employees used in the evaluation.

RESPONSE:

9. Provide a narrative of any noted, "technological advances" covering the past three years that may "improve productivity and add value to the service provided to customers" as referenced on page 4 of Mr. Watson's testimony.

RESPONSE:

10 The following Call Center Performance Metrics were identified in response to TRA Staff Data Request #1, Question 15. (Provide the past three years monthly data for each metric.)

A Time to connect the customer to the system

RESPONSE:

B Restoring of water service

RESPONSE:

C. New meter installations

RESPONSE:

D. Billing inquiries

RESPONSE:

E. Meeting appointment times

RESPONSE:

F. Meter Reading - percent of meters read

RESPONSE:

G Customer Satisfaction Surveys - provide a copy of survey responses since 2001

RESPONSE:

11. Please extend the Historical test year (six months) to incorporate updated exhibits reflecting the latest actual data; i.e., making the Historical Test year ending 9/30/04 and the Attrition Year ending 12/31/05.

RESPONSE:

12. Provide a worksheet of the number of employees by department, by job title, by month, for the three years ending 9/30/04.

RESPONSE:

13. Provide a 5-year forecast of infrastructure replacement, detailing miles of mains, services, and other plant to be replaced by year.

RESPONSE:

14. Provide the hourly pay rate by Company employee, (union, non-union, and salary) as of September 30, 2004.

RESPONSE:

15. Please explain why the Company adopted 2,088 regular hours in its calculation of hourly payroll for the attrition year rather than the standard 2,080 hours.

RESPONSE:

16. Provide a price out by employee of the attrition year payroll amount and then reconcile the Operations and Maintenance Labor amount of \$4,383,883 per Exhibit No. 2, Schedule 3, Adjustment Number Reference 1 to the performed price-out.

RESPONSE:

17 Please reconcile the Other General Taxes amount of \$615,544 per Exhibit No. 2, Schedule 5, Adjustment Number Reference 2 to the Company's attrition year work paper amount of \$886,846.

RESPONSE:

18. Provide a schedule of Operations and Maintenance Expenses by amount, account number, and account description, which reconciles to every amount shown on Exhibit No. 2, Schedule 3.

RESPONSE:

19. Provide detailed business reasons and the sources for the growth in Management Fees from \$1,693,250 for the twelve months ended March 31, 2003 to \$2,492,980 for the twelve months ended March 31, 2004, a 47% increase. Additionally, explain in detail why Management Fees increase 23% from the test year March 31, 2004 to the attrition year ended December 31, 2005 and the sources of the Management Fees.

RESPONSE:

20. Provide a schedule by account, by affiliated company for all charges to the Company for the test year ended March 31, 2004 and the attrition year ended December 31, 2004. Indicate the amount of return on investment and interest expense charged to the Company by account by affiliated company for the attrition year and for the test year. Include in your response the calculation for each amount for the test year and the attrition year

RESPONSE:

21. For all NARUC or FERC accounts 601 through 675, show the gross and net expense after deducting salaries and wages, by account, by month for the twenty-four months ended September 30, 2004 and for the attrition year ended December 31, 2005.

RESPONSE:

22. Reconcile the amounts provided in Exhibit No. 2, Schedule 3, Adjustment Number Reference 1-18 for the Attrition Year at Present Rates to the Company's response amounts to the TRA Staff Interrogatory #27 for the attrition year ended December 31, 2005.

RESPONSE:

23. Provide a schedule by month, from April 2004 through September 2004, identifying the amount and percentage of total payroll capitalized by the Company

RESPONSE:

24. Provide a detailed explanation and business reasons for the costs of preventative

programs (Hydrant maintenance and painting) totaling \$92,450 as described in Mr Diskin's direct testimony on Page 14, Lines 40-41. Include in your explanation whether these amounts are recurring or non-recurring. If recurring, then indicate the time period over which the costs will occur and why they are not considered normal operations and maintenance.

RESPONSE:

25. Provide a schedule by month, from January 2002 through September 2004, identifying the amount and percentage of total payroll charged to non-utility or unregulated operations by the Company.

RESPONSE:

26. Provide a schedule by account, by RWE Aktiengesellschaft ("RWE") for all charges to American Water Works Company, Inc. ("AWWC") for the test year ended March 31, 2004 and the attrition year ended December 31, 2004. Indicate the amount of return on investment and interest expense charged to the Company by account from RWE for the test year and the attrition year. Include in your response the calculation for each amount for the test year and the attrition year.

RESPONSE:

27. Provide the total Management Fees subject to allocation for the twelve months ended March 31, 2003, for the twelve months ended March 31, 2004, and the attrition year ended December 31, 2005 and the sources of the Management Fees.

RESPONSE:

28. Provide the total charges subject to allocation by affiliated company for the twelve months ended March 31, 2003, for the test year ended March 31, 2004, and the attrition year ended December 31, 2004. Include only the affiliated companies for which the Company is subject to their charges.

RESPONSE:

29. Provide a schedule by account, by RWE for all the Amortization of Goodwill and/or of Utility Plant acquisition adjustments charged to AWWC for the test year ended March 31, 2004 and the attrition year ended December 31, 2004. Include in your response the calculation for each amount for the test year and the attrition year charged to the Company.

RESPONSE:

30. Provide a schedule by account, by AWWC for all the Amortization of Goodwill and/or of Utility Plant acquisition adjustments charged to the Company for the test year ended March 31, 2004 and the attrition year ended December 31, 2004. Include in your response the calculation for each amount for the test year and the attrition year charged to the Company.

RESPONSE:

31. Provide any and all documents identified in your answers or responses to the

discovery requests, including the data requests from the TRA Staff, served upon you in this matter.

RESPONSE:

32. Provide any and all documents and things relied upon by any TAWC witness in submission of testimony in this matter

RESPONSE:

33. Provide any and all expert reports which have been obtained from any expert.

RESPONSE:

34. Provide each document, photograph, or any other article or thing whatsoever, upon which you rely in support of your contention(s), position(s) or belief(s) that the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 04-00288 should be approved.

RESPONSE:

35. Provide in electronic media and in hard copy all workpapers and other documents, generated by or relied upon by all TAWC witnesses.

RESPONSE:

36. Provide a copy of the "least/cost comprehensive planning study" for the last three years as referenced on page 4 of Mr. Watson's testimony

RESPONSE:

37. Provide the supporting documentation for the 83 39% payroll charged to operations for the attrition year. Identify the percent payroll charged to non-utility and the percent charged to capitalization.

RESPONSE:

VERIFICATION

I, _____, hereby depose and say, after having been first duly sworn, that I have read the Interrogatories in the foregoing discovery requests and the answers and responses thereto are true according to the best of my knowledge, information, and belief.

Name: _____
Title: _____

STATE OF _____)
_____)
COUNTY OF _____)

Personally appeared before me, _____, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.


Witness my hand, at office, on this _____ day of _____, 2004.

NOTARY PUBLIC

My Commission Expires _____

RESPECTFULLY SUBMITTED,

PAUL G. SUMMERS, B.P.R. #6285
Attorney General
State of Tennessee



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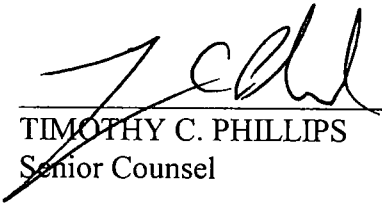
Dated: October 22, 2004

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or facsimile on October 22, 2004.

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